

County Administration

County Administrator
James O. McReynolds



Administrative/Legislative Services
Economic Development
Real Estate Assessment
Public Information
Planning

April 20, 2005

The Honorable Chairman and Members
York County Board of Supervisors
224 Ballard Street
Yorktown, Virginia 23690-0532

Dear Members of the Board:

Subject: County Administrator's Budget Message - FY2006

The County's Adopted Fiscal Year 2006 Budget represents the culmination of nearly six months of staff effort. The budget call was issued on October 1, 2004, and requests were due on November 12, 2004. Since that time, staff and I have worked with the requesting departments and agencies to develop a budget that emphasizes the priorities of the Board of Supervisors and, as directed by the Board, maintains tax rates at their current levels. Accordingly, significant portions of the increase in revenues are allocated to Education, Public Safety, and Drainage Improvements. Educated and engaged citizens, safe neighborhoods, and excellent public facilities are essential ingredients in maintaining and enhancing the high quality of life County citizens have come to expect.

Highlights are:

- No tax rate increases.
- An increase of 7.5% in local funding for the School Operating Budget.
- A compensation package based on the Human Resources Division's annual benchmarking study that helps to maintain the County's plans' competitive positions in the regional market by including a market adjustment of 2.25%.
- Funding for 11.50 new personnel in the General Fund to meet the growing demand for County services.
- Funding is included to continue the drainage improvements program approved by the Board of Supervisors and to add another four-person drainage team to the staff (included in the 11.50 new personnel noted above).
- Funding in the Enterprise funds to continue significant water and sewer expansion projects in areas such as Marlbanks Farms, Queens Lake and York Point. These projects are funded from user fees and have no effect on General Fund expenditures or the tax rate.

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A Hampton Roads Community

- A Capital Improvements Program, which continues ongoing projects such as the replacement of equipment, funds maintenance and renovation projects of County facilities and park areas, and provides for renovations of York High School and the School Board Offices.

The Budget Process in York County

In York County, the budget serves three purposes. First, as a policy document, the Budget represents the implementation of the Board's policy setting in the form of specific funding decisions. Second, the Board has the sole authority to set tax rates and authorize spending. This authority is exercised through approval of the annual operating budget. Finally, the budget is a financial planning tool through which the County ensures that the available sources of funds will be sufficient to meet the anticipated and unanticipated cost of providing services to County citizens over the coming year.

York County adopts an annual operating budget for the fiscal period beginning July 1 and ending June 30. Fixed budgets are presented for the General Fund, Special Revenue Funds, and Debt Service Funds. For control purposes, fixed budgets are also presented for the Enterprise Funds, which include the Utility Funds, and for the Vehicle Maintenance Internal Service Fund. Flexible budgets are presented for the Tourism Fund and will be used for the Riverwalk/Yorktown Operations Fund. A flexible budget is useful for funds for which it is difficult to estimate the demand for services and, therefore, the level of spending needed to meet demand.

The Capital Improvements Program is a six-year plan of which the first year represents the Capital Improvements Budget. Project-length budgets are appropriated for the projects included in the first year of the six-year plan.

In compliance with the Code of Virginia, York County's policy for the General Fund is to propose and adopt a balanced budget, whereby revenues equal expenditures. The County's revenue stream consists of local, state, federal and other financing sources. The majority of the County's revenue is derived from general property taxes. The County's expenditure budget is divided into functional areas.

TOTAL COUNTY BUDGET - \$216,979,629

The total County budget includes government-wide operating revenues and expenditures of the County and the School Division, all enterprise funds, and all County and School Division capital projects. The County's operating budget, the General Fund, is primarily supported from general property taxes. The source of funding for the other County funds, such as the capital project funds and enterprise funds, are grants, debt proceeds, and user fees and have no effect on the tax rate. Information concerning each fund is included in subsequent sections of this document. A summary of the total or entity-wide budget is presented in the next paragraph.

The total County budget for all funds for FY2006 is \$217 million, which is \$30.9 million or 16.6% higher than the current year. Approximately \$14.9 million of this \$30.9 million is the result of one-time expenditures in the CIP for major school projects. Also included in the CIP is a one-time expenditure of \$5,000,000 for an athletic field complex. The largest single component of the total County budget is the School Division. The budget for the School Division's operations is \$104.4 million or 48% of the total budget. After Education, the second highest General Fund function is for Public Safety. This function comprises \$22 million or 10% of all expenditures.

The budget also includes expenses of \$18.8 million for the County's various public utilities, accounted for as Enterprise Funds. These funds comprise 8.6% of the total County Budget.

These three programs, education, public safety and public utilities, totaling \$145.2 million comprise 66.9% of the total County budget.

GENERAL FUND BUDGET - \$102,470,909

General Fund Revenues

Of the over \$102 million in revenue estimated for fiscal year 2006, 95.6% or \$97.9 million is from local and other sources. The remaining \$4.6 million is from various state and federal government supported programs. New commercial construction and the opening of several new businesses in the County are driving anticipated increases to several local tax sources. We expect to see positive impacts on the real estate and personal property taxes, local sales taxes, lodging and meals taxes, and business license taxes.

General Fund Revenues are derived from a variety of sources. The primary sources of revenue are General Property Taxes (68.1%) and Other Local Taxes (22.9%), which combined are \$93.3 million, or 91% of the \$102.5 million budgeted. Additional local revenue categories include Permits, Fees and Regulatory Licenses; Fines and Forfeitures; Use of Money and Property; Charges for Services; Fiscal Agent Fees and Administration; Miscellaneous Revenue; and Local Recovered Costs. These sources account for 3.3% of General Fund Revenues, or \$3.3 million. State and federal revenues include Shared Expenses, Non-Categorical Aid, Categorical Aid, Grants, and Payments in Lieu of Taxes, which amount to 4.4% of General Fund revenues, or \$4.6 million. Other sources include payments from the School Division for grounds maintenance, law enforcement and video services and amount to 1.3% or \$1.3 million.

General Fund Expenditures

The County's population has grown about 16.9% since 1997 and is projected to grow an additional 0.3% through the end of FY2005. As anticipated from enrollment projections made in each of the past several years, it appears there will be a small increase in the student population from FY2005 to FY2006. The estimate for FY2005 is 12,600 and 12,700 for school year 2006. Residential growth continues at a slower pace than in the early part of the decade, but the increase in population and demand for service is still sufficient to drive increases in the County budget.

The adopted budget for fiscal year 2006 includes no new initiatives but focuses on maintaining County services at their current levels, except in the area of drainage improvements where a four-person team is added to expand our level of service. Major expenditure increases are as follows:

Employee Compensation	\$ 1.54 million
New Personnel	\$ 0.65 million
School Operations and Debt Service Contribution	\$ 2.87 million
Communications System Operations and Maintenance	\$ 0.54 million
Capital Improvements Plan	\$ 0.36 million

The total General Fund expenditure budget is \$102.5 million, which is \$7.2 million or 7.5% more than the current year budget. This represents a reduction of \$6.1 million from the amounts requested by the Departments to keep the operating budget within the available revenues.

Areas of special input are:

Education

The adopted budget reflects an increase of \$2,593,000 (7.5%) in the local contribution to the School Operating Fund. It also includes a \$270,465 increase in the School Debt Fund to cover the cost of borrowings to fund school renovation and construction. In addition, I recommend that the Board continue the practice of making supplemental appropriations for technology improvements of any funds remaining at the end of FY2005 in the School Operating Fund. In addition, if the School Division should receive more Impact Aid than is budgeted for fiscal year 2005, the two Boards may again wish to discuss alternative uses for some of these funds.

Personnel

In FY2005, there are 701.10 full-time equivalent personnel working in the general government of York County. The adopted budget raises that number to 715.20 in FY2006. This is an increase of 11.50 FTEs in the General Fund and 2.60 FTEs in other funds. These positions are to meet the growing demand for County services in areas such as Public Safety, Drainage/Mosquito Control, Plans Review and Risk Management.

The compensation figures in this budget include the cost of providing step increases for County employees during FY2006 as well as the cost of adjusting the County's pay plan to the market. Based on the Human Resources Division's annual benchmark analysis, a 2.25% market adjustment has been incorporated, effective for July 1, 2005.

Capital Improvements

The funding included in this budget supports all of those projects planned for FY2006 in the FY2006 through FY2011 Capital Improvements Program. That program calls for spending in General Fund capital improvements of approximately \$1.4 million. The budget includes \$81,000 for the replacement of equipment, \$433,000 for maintenance and renovation projects of County facilities and park areas, \$590,000 for transportation enhancements and \$150,000 for drainage improvements and \$130,000 for environmental enhancements and underground utilities. In addition, the Adopted Capital Budget for FY2006 appropriates \$5 million from capital fund reserves for an Athletic Field Complex.

PUBLIC UTILITIES FUNDS EXPENSE BUDGETS - \$18,784,918

The various funds included in this total are the Solid Waste Fund (\$3.7 million), the Water Utility Fund (\$.5 million), the Sewer Utility Fund (\$5.1 million), and the Water and Sewer Extension Fund (\$9.5 million).

Revenue in these funds is primarily generated through user fees and connection charges. The Solid Waste Fund also receives \$1 million in General Fund support.

Of particular interest are the Solid Waste and Water and Sewer Extension Funds. The Solid Waste Fund's budget for FY2006 reflects decreases in both budgeted revenue and expenses as a result of contract negotiations with the service provider subcontracted by the County. The County was able to pass along the savings in the applicable expense line items to the citizens by offering them a choice in service.

The first option allows them to keep their current service fee level, but be provided with expanded pick-up capacity. The second option allows for a reduction in their bimonthly fees if they choose a reduced pick-up capacity.

The Water and Sewer Extension Fund accounts for the water and sewer capital projects. As mentioned previously, major projects planned for fiscal year 2006 are significant sewer expansion projects in Marlbanks Farms, Queens Lake and York Point.

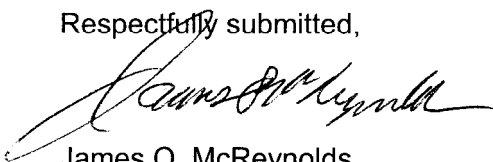
COMMENTS

York County has a tradition of fiscal conservatism that has served it well. As is indicated by its excellent bond rating and highly sought after credit, the County is in an excellent financial position and has the resources necessary for sound fiscal management. I believe that the adopted budget represents a conservative estimate of the amounts necessary to continue the current level of service delivery and maintain the County's physical plant at an acceptable level.

The requirements of the Code of Virginia regarding the development, preparation, presentation and adoption of the budget to the Board of Supervisors have been met.

Staff has worked diligently to keep costs to a minimum while still meeting the expectations of our citizens. I would like to thank all County Agencies and Departments for their efforts. A special thanks goes to Carol White, Director of Financial and Management Services, and Sharon Day, Chief of the Division of Budget and Financial Reporting, along with division staff members Jody Bauer, Carolyn Cuthrell, and Lisa Swartz for a superb effort in putting this document together.

Respectfully submitted,



James O. McReynolds
County Administrator

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